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# SOCIAL MEDIA READINESS IN SMALL BUSINESSES

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## ABSTRACT

Information Technologies (IT) have helped businesses to look for new ways of competing. Social Media (SM) are considered as one of these technologies. There are ample examples in the literature about its effectiveness in business. Especially for small businesses (SMEs) SM have given an opportunity to create a global customer base in a cost effective manner which was not possible in other business model. The main aim of this research was to investigate how SMEs whose businesses are dependent on their networks can benefit from SM. Although there are many IT adoption models, only a very few focus on SM alone. According to our knowledge there is none which focuses on SM adoption by SMEs. This research aimed to come up with a suitable model which will help SMEs to evaluate their readiness in adopting SM.

## KEYWORDS

Social Media readiness, Social Media adoption, Small Businesses, competitive advantage.

## 1. INTRODUCTION AND BACKGROUND

In the information society we live today, time and speed has become critical factors to customers. Customers are more aware of market trends, substitute products and services available and demand for quality at affordable prices. Technology has become paramount in achieving these objectives. Organisations are increasingly realising the power of Social media (SM) as a new way of reaching customers, and creating differentiation, and even for launching new businesses.

Most companies have realised that an increasing number of customers are spending a significant amount of time on SM platforms today (Mortleman 2011). According to the Facebook (2012), it had over 901 million active users by March 2012. Such statistics show the increase usage and the power of the medium that could be harnessed by organisations. However, there are some businesses which are still wary of using SM, citing reasons such as security and privacy. Most of the existing literature tends to write about the value of SM (Ferrand 2009) and little attention has been given to the need for organisation to be prepared before adopting SM especially for SMEs. This research aims to fill that gap.

### 1.1 What is Social Media?

There are a variety of definitions for SM in the literature. Some have defined SM from a technological perspective, while other definitions are based on SM types and functions. Some definitions combine both perspectives.

We consider social media from the technological point of view while highly acknowledging other definitions and arguments. In this research we refer to Social Media as any communication and interaction taking place in real time by using internet-based technologies. Our focus is on the communications that occur between organisations, customers and suppliers.

### 1.2 Guides that Influence the Successful Adoption of Social Media

The literature is rich with guidelines to follow in order to adopt SM in SMEs. Authors such as Gilaninia et al. (2001) posits that these guides help SMEs to have critical observations about what to do before taking any further steps to ensure the desired advantage. We discuss some of the important guides that are highlight in the literature below:

1. *Setting the goal for social media adoption:* SM strategy should add value to SMEs. Authors such as Ormond (2012) and Prohaska (2011) argue that SMEs must first determine their SM adoption goals and decide whether these goals are for marketing or managing customer relationships. Johnston (2011) shares a similar point of view and argues that without a specific goal it is hard to know if the SM adoption has succeeded or not.

2. *Applying culture of openness and transparency:* Thomson (2009) says that if the business has got the right type of culture, technologies will work a lot better for them. Cuccureddu (2012) states that having a culture of openness and transparency is a key factor for a successful social media strategy.

3. *Targeting customers:* Thomson (2009) states that the company decision should depend on their goals and target customers. Lake (2012) mentions that company message could be stronger and relevant if it narrows its niche market.

4. *Identifying social media policies:* Mortleman (2011) raises concerns over the fact that most SMEs do not have a formal policy to manage SM adoption. Ball (2011) confirms this stating that even in SMEs with employees more than 25, almost 50% are without formalised SM policies. McCarthy and Krishna (2011) point out that without such a policy employees turn out to be unsupervised spokespeople.

5. *Creating compatibility between social media strategy and the existing business functions:* Gilaninia et al. (2011) state that SM strategy must fit with the existing business processes of the organisation. Springman (2012) argues that it is easier to develop an isolated SM strategy but it will be less effective than a strategy which is integrated with other business functions.

### 1.3 Existing Frameworks for Social Media Adoption

There are a number of frameworks on how to adopt SM in businesses. To our knowledge all these frameworks are for large organisations. We find that little effort has been made to develop a framework for helping SMEs to evaluate their readiness to adopt SM. Such a framework will help SMEs to have a clear understanding about how SM should be used or whether they should be used at all, and help them to gain competitive advantage from them.

Among the many research studying IT adoption within an organisation, Tornatzky & Fleischers' (1990) Technology-Organization-Environment (TOE) framework is one of the well-accepted models. TOE framework has been adopted and validated by many firms with diverse technology innovations and various contexts (Omosigho & Abeysinghe 2012). Oliveira & Martins (2011) consider the contribution by the TOE framework as significant.

Based on the TOE framework Omosigho & Abeysinghe (2012) have proposed a framework for assessing the readiness of organisations prior to adopting SM. The framework has been validated for the use of large organisations. Their framework is influenced by three main factors: technology, organization and environment. Similar factors are discussed by Burgess et al. (2009) about SMEs web presence readiness. We aim to customise the framework of Omosigho & Abeysinghe (2012) for SMEs.

## 2. THE PROPOSED FRAMEWORK

The conducted literature survey was focused on finding guides that influence the adoption of SM by SMEs. The findings were prioritised based on their importance into five guides as discussed in Section 1.2. Based on these guides hypotheses were formed. The credibility of the hypotheses was tested by conducting a survey among SMEs. From the survey results the main factors in the framework were finalised.

### 2.1 Framework Concepts

The proposed framework (Before, Process and After (BPA)) presented in Figure 1, consists of three main stages: *Before adopting SM*; *Process of adopting SM*; and *After adopting SM*. Each of these stages is influenced by technological, organisational and environmental factors but with a focus on SM. By dividing the framework into three stages (where each stage includes multiple steps) the SMEs will have the opportunity to follow the framework at any stage. It also enables the companies which have already used SM to understand the factors that influence the adoption of SM. Johnston (2011) and Prohaska (2011) believe

that a clearly defined framework which contains steps will guide companies to create a successful SM outreach. Moreover, it gives them a sense of achievement and enables them to measure their success in each stage.

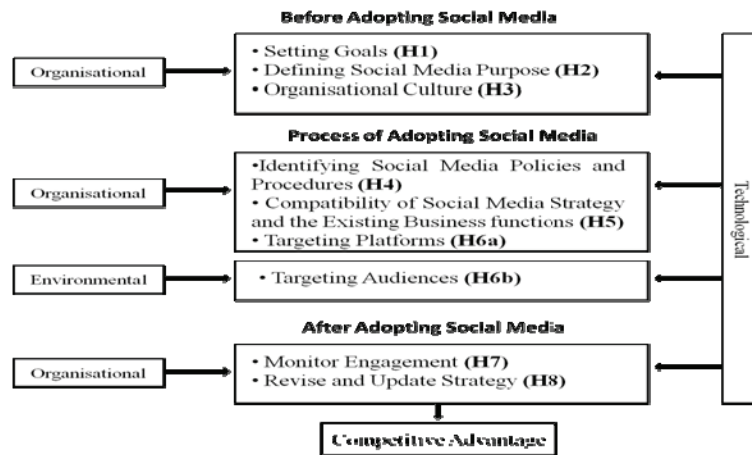


Figure 1. BPA framework

The BPA framework consider three aspects that influence the process of adopting SM in SMEs:

1. *Technological context*: Describes the external and internal technologies that are related to the company. Since SM are enabled by technology, technological aspect is considered in all the three stages.

2. *Organisational context*: Factors considered here are the same as those discussed in Section 1.2.

3. *Environmental context*: Environmental context as defined by Tornatzky & Fleischer (1990) is adopted here. Companies are influenced by external factors such as their industry and competitors. Large organisations differ to SMEs in that they have access to variety of resources and able to react to technological pressure. However, some SMEs struggle to adopt new technologies due to the lack of knowledge and skills (Rashid & Al-Qirim 2001).

## 2.2 The 3 Stages of the BPA Framework

The first and the third stage of the framework explain the organisational context by utilising a number of factors. The middle stage highlights the importance of environmental factors on SM adoption as well as organisational factors. Since the technological context lays the foundation for understanding the technology use within the business, the technological context is included in all the three stages.

### 2.2.1 Before Adopting Social Media

**Setting Goals** is an essential step for companies that want to adopt SM because no strategy makes sense without clear goals. Ormond (2012) believes that the success starts from clear cut goals and understanding the desired outcome for the business. **Hypothesis 1(H1)**: *SMEs need to have clear and specific goals before adopting SM.*

**Defining SM Purpose** is very important. A business goal is to increase the monetary gain; the main concern is how they want to increase it: by targeting new customers, maintaining the existing ones or by advertising. Mangold & Faulds (2009) argue that without a clear purpose companies will struggle to reach their goals. **Hypothesis 2(H2)**: *SMEs need to define the purposes they want to achieve with the help of SM.*

According to Thomson (2011) technologies will be more affective in any business with the correct type of **Organisational Culture**. Holtz et al. (2008) believe that if companies want SM to have a successful influence in their business, it is essentials for them to be social first. Owyang et al. (2011) identify fostering a culture of learning as one of the essential business requirements for SM success. **Hypothesis 3(H3)**: *SMEs need to have a culture of openness and transparency before adopting SM.*

## 2.2.2 Process of Adopting Social Media

Companies need to **Identify SM Policies** to get the benefit from their adoption. Owyang et al. (2011) reveal that organisations which are most advanced in SM have “*established and reinforced a SM policy that allows the employees to participate professionally*”. **Hypothesis 4(H4):** *SMEs need to develop policies to gain competitive advantages from SM adoption.*

**Compatibility of SM Strategy with the Existing Business Functions** is likely to lead to success as stated in Springman (2012). Johnston (2011) supports this by stating that SM strategy must be synchronised and not independent from the company’s divisions such as customer services and human resources. **Hypothesis 5(H5):** *SMEs need to ensure compatibility of SM strategy with the business.*

**Targeting audience** is considered as environmental context because the impact of this factor is external whereas, deciding which SM platform to choose depends on company goals and recourses hence, it is considered as organisational context. This is the only step which has two contexts in the BPA framework. **Hypothesis 6(H6):** *SMEs need to focus on choosing the best platforms where the people they want to reach are active; this will decrease the risk of failure.*

## 2.2.3 After Adopting Social Media

To ensure that the company is taking full advantage from SM, they have to **Monitor Engagement** of their customers. Orsini (2010) highlights that companies need to listen with an open mind to what their customers are saying whether their comments are explicit or implicit. Mortleman (2011) takes a similar position by stating that monitoring gives the companies insight about their customers’ opinions towards brand and products. **Hypothesis 7(H7):** *SMEs need to have a system to monitor SM use.*

The **Revise and Update Strategy** stage deals with how SMEs gain insight and improve their SM strategy. Falls (2011) states that even those organisations which can be categorised as ‘advance’ do not have an effective process in place to integrate the customer data into their product roadmap or support systems. SM not only challenges existing information infrastructures but also changes existing routines, processes and procedures. This disruptive nature of SM makes it inevitable that existing strategies need to be modified and/or changed and new strategies introduced. **Hypothesis 8(H8):** *Revising and updating SM strategy is necessary to take advantages of SM adoption.*

## 3. CASE STUDY ANALYSIS

To answer the main questions of this research, five SMEs from Saudi Arabia were selected from different sectors: Company A: an online entertainment channels; Company B: a chocolate company; Company C: an online personalised T-shirt store; Company D: a homemade chocolate store, and Company E: a professional photographic studio. A survey was used to collect relevant information regarding how SM impacts these businesses and how they prepared themselves before adopting SM. Based on the data collected BPA framework was applied to each case study and analysed.

**Before Adopting Social Media:** All the 5 companies had specific goals prior to adopting SM. Company A, to improve their brand image, and the other companies to increase their customer base; hence increase their profits. All 5 companies defined their SM purposes prior to adopting SM which are mainly advertising, taking customer orders, and Customer relationship Management. However, although all the companies ran their business from SM, they did not have a culture of openness to begin with. Companies A and E claim their friendly culture, is the nature of their business. But, Companies B, C, and D have a formal culture in their business, which they argued is necessary to discipline the workplace.

**Process of adopting Social Media:** All companies except Company C, developed a SM policy to determine what should/should not be used in SM. Company E also includes SM responsibilities among employees in their policy. Although Company C had a very formal culture it did not identify a SM policy. Most of the companies did not fully integrate their SM strategy with existing strategy. Companies A and B argued that since the company was running via SM integration is a given. The other companies agreed that SM adoption would be more effective if strategies are integrated together. All the 5 companies defined their SM audience and platforms before adopting SM. Company A chose Youtube as its primary SM platform

since it is a Media Company. The initial goal of Companies B, C and D were to increase customer base so, they selected the most popular platforms in their respective fields which are Facebook and Twitter. All companies understood the importance for SMEs to identify their targets when deciding to adopt SM.

In order to guarantee their success in SM Company A considered that feedback from customers and increasing its fans/followers numbers in SM platforms as measurement for success. The rest of the companies used the number of posts, comments and customers participated as their measurement of success. All the companies, except Company E realise that to ensure the success of their SM adoption and to ensure that they are in the right track; they have to revise and update their SM policies.

Even though this research was carefully prepared, there were some unavoidable limitations. The age of all SMEs used as case studies was less than five years which is after SM have been introduced to the business. Therefore, they have already developed a SM strategy as a part of their overall strategy. Hence, compatibility between business strategies was not applicable to these cases.

## 4. CONCLUSION

The capability of SME's in reaping benefits from SM opportunities depends on how ready they are to embrace not only the technology but also the challenges which come with it. In this paper we developed a framework which can assist SMEs in evaluating their readiness to adopt SM. The framework focuses on SMEs that have already adopted SM. This is considered as strength of this paper given that most approaches only focus on prior adoption of technologies.

The results of this paper point to several interesting directions for future work. The framework could also be applied to long standing SMEs, which have developed their SM strategy long after their business strategy. This will ensure the applicability of the framework SMEs in general. The selected case studies were from one particular geographical region. This may have some bias on the validation. The framework needs to be further evaluated to improve its validity and usefulness.

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